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# Reports and Testimony: October 1992

## Highlights

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### Prescription Drugs

*Drug companies' prices to wholesalers for identical prescription drugs average 32 percent higher in the United States than in Canada; the disparities are largely attributable to Canada's efforts to restrain drug prices, not to any differences in manufacturers' costs between the two countries. Page 14.*

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### Hospital Costs

*The single most important contributor to the sharp increases in hospital costs during the 1980s was the rapid adoption of new medical technology by hospital managers as they tried to gain a market advantage by offering patients the most up-to-date services available and passing the costs on to third-party payers. Page 12.*

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### Women's Health

*The Food and Drug Administration should ensure that the pharmaceutical industry consistently includes enough women in drug testing to identify gender-related differences in drug response and that such differences are explored and studied. Page 15.*

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### Health Insurance

*Unless universal access is a component of health care reform, it is not clear that reforms designed to help those firms with particularly high health care costs will generate any real improvement in access to health care. Page 13.*

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# Reports and Testimony: October 1992

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## Agriculture and Food

### **Pesticides:**

#### **Adulterated Imported Foods Are Reaching U.S. Grocery Shelves**

GAO/RCED-92-205, Sept. 24 (30 pages).

Food imports have tripled during the past 15 years; today, nearly half of the fresh fruits and vegetables eaten in the United States during the winter are imported. About four percent of imported produce tested by the Food and Drug Administration (FDA) during the 1980s contained banned pesticide residues, but some shipments were still distributed to grocery stores by importers who were not deterred by existing penalties. Although FDA told importers to return these shipments to the U.S. Customs Service for supervised export or destruction, about a third of the shipments were not returned in the four FDA districts GAO reviewed. Government records show that distribution of these foods by importers is a long-standing problem. Importers probably distribute adulterated foods because the consequences for doing so are slight; FDA rarely prosecutes and the damages assessed by Customs are low enough that importers can still make a profit. To spot more adulterated shipments with the same level of resources, FDA should (1) ensure that shipments of the same food from the same grower arriving with sampled shipments are not distributed until the sample is determined to be free of prohibited pesticides, with a reasonable deadline for the test results to be given to Customs and the importer, and (2) delegate to the district offices greater responsibility to initiate automatic detention.

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## Civil Rights

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### Testimony

**Federal Affirmative Employment: Status of Women and Minority Representation in Federal Law Enforcement Occupations**, by Bernard L. Ungar, Director of Federal Human Resources Management Issues, before the Subcommittee on Investigations, House Committee on Post Office and Civil Service. GAO/T-GGD-93-2, Oct. 1 (29 pages).

This testimony focuses on the representation of women and minorities in law enforcement jobs in the Justice Department, Treasury Department, and U.S. Postal Service. Although the number of women and minorities in these occupations has increased in general since 1987, this gain did not always translate into a larger percentage of an agency's law enforcement

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jobs. Full representation is not yet a reality in many instances. Furthermore, when women and minority profiles in 1991 were compared against women and minority profiles in relevant civilian labor force data from the 1990 census, women and minorities were often underrepresented in the occupations GAO reviewed. The percentage of women in the major law enforcement occupation—criminal investigation—is relatively slight, and no women are in criminal investigation jobs at the executive level in the Justice and Treasury Departments.

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## Employment

### **Occupational Safety and Health: Uneven Protections Provided to Congressional Employees**

GAO/HRD-93-1, Oct. 2 (104 pages).

GAO checked on the safety and health protections afforded workers at the Government Printing Office (GPO) and four Capitol Hill offices—those of the Architect of the Capitol, the Attending Physician, the House Clerk, and the House Doorkeeper. The serious hazards GAO discovered included improper placement of automatic sprinklers, unenforced protections concerning excessive noise levels, exposed blades on power saws and machines, poor ventilation in areas where flammable materials were being used, and missing or improper labels on chemicals. Congressional employees are not covered by the Occupational Safety and Health Act, and the job of ensuring workplace safety and health is spread among several offices. The legislation does cover employees of legislative branch agencies, such as GPO, which are required to have a comprehensive safety and health program. Even so, the Occupational Safety and Health Administration has no authority to examine the effectiveness of programs in the legislative and judicial branches or to inspect their workplaces.

### **Dislocated Workers: Improvements Needed in Trade Adjustment Assistance Certification Process**

GAO/HRD-93-36, Oct. 19 (14 pages).

Many Americans who lose their jobs to foreign competition never receive the retraining and other help that is due them in making the transition to new employment because the Labor Department's process in certifying their eligibility for assistance is flawed. To be eligible for the Trade Adjustment Assistance program, which helps workers find new

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employment through job counseling, retraining, and placement assistance, an individual must work in an industry affected by imports, as certified by the Department of Labor. Problems in the program's certification process raise questions about how Labor determines worker eligibility. Flaws in Labor's petition investigations and limited state aid to workers may lead to petitions' going unfiled or to erroneous decisions on whether to provide program assistance to workers. Although specific improvements in the certification process can be made, Labor's need to determine worker eligibility quickly makes it unclear how much improvement is realistic without changing the process. The President has proposed combining all dislocated worker programs into a single program delivering services to all such workers regardless of the reason for dislocation. This proposal would eliminate the need for certifying workers as affected by imports, but it may also cut the benefits available to workers now being served under the program.

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## Energy

### **Electricity Regulation: Electric Consumers Protection Act's Effects on Licensing Hydroelectric Dams**

GAO/RCED-92-246, Sept. 18 (48 pages).

The Federal Energy Regulatory Commissions (FERC) faces a major challenge: By the end of 1993, the long-term operating licenses for more than 15 percent of the nation's nonfederal hydroelectric power projects will expire. In relicensing these projects, FERC must balance electricity needs with environmental and other considerations, as spelled out in the 1986 Electric Consumers Protection Act. This report (1) reviews the effects of that legislation on FERC's licensing process for and decisions about hydroelectric power projects, (2) provides information on FERC's use of temporary licenses for projects seeking relicensing, and (3) identifies FERC's requirements for ensuring public safety at hydroelectric projects.

### **Nuclear Safety: Concerns About the Nuclear Power Reactors in Cuba**

GAO/RCED-92-262, Sept. 24 (16 pages).

If Cuba obtains the help needed to complete construction of its two Soviet-designed nuclear power reactors, the United States will need assurances that they are built and will be operated in a way that does not

pose a risk to the United States in the event of an accidental release of radioactive material. Although work has halted on the two reactors, the first unit is believed to be virtually finished while the second is between 20 and 30 percent complete. The main reactor components have not yet been installed, and the nuclear fuel has not been delivered. Concerns about the reactors center on the questionable quality of the construction, limited regulatory oversight, inadequate training for operators, lax safety standards, and the absence of a Cuban industrial infrastructure to support the reactors' operation and maintenance. Concerns also exist that the upper portion of the containment dome was designed to withstand pressures of only seven pounds per square inch. Because Russia demands hard currency as payment for—and Cuba now lacks the money to buy—equipment needed for the reactors, when the reactors will start up is unclear. Continued monitoring of Cuba's progress toward completing the reactors is warranted.

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## Environmental Protection

### **Air Pollution: Unresolved Issues May Hamper Success of EPA's Proposed Emissions Program**

GAO/RCED-92-288, Sept. 25 (27 pages).

To help cut motor vehicle emissions, a major source of urban pollution, the Environmental Protection Agency (EPA) established a policy in 1978 for state inspection and maintenance programs. Because emissions were not reduced to levels set by EPA, Congress passed legislation in 1990 requiring the upgrading of inspection and maintenance programs in the most seriously polluted parts of the country. EPA proposed a regulation in July 1992 that will require more stringent tail pipe exhaust emission tests, including the IM240 test, a move that could have a tremendous economic impact on the inspection and repair industries. Because of many unresolved issues related to the IM240 test—ranging from doubts about the reliability of test results to difficulties in getting repairs done to vehicles diagnosed with emission problems—GAO questions why EPA did not look into alternative tests before issuing its proposed regulation. Studies by various groups suggest that another test option may yield results similar to the IM240 test but at a lower cost and possibly less inconvenience to the public. Although EPA has just begun to study this other option, when the study results will be available to the states is unclear. EPA said that it had proposed allowing states until November 1993 to settle on a specific inspection and maintenance test procedure, but this

time frame is not clearly stated in EPA's proposed regulation. It is important for EPA to complete its study on alternatives to the IM240 test before then. Otherwise, states may end up adopting test procedures that may not be the most cost effective and most convenient approach for motorists.

## Financial Institutions

### **Foreign Bank:**

#### **Initial Assessment of Certain BCCI Activities in the U.S.**

GAO/GGD-92-96, Sept. 30 (84 pages).

The Bank of Credit and Commerce International (BCCI) maintained a representative office in Washington, D.C., for almost six years, attempting to drum up business from embassies, international financial institutions, and U.S. government agencies. GAO found no evidence that the representative office made direct payments to U.S. government officials and noted only nominal contributions to two political committees. Because GAO was unable to gain access to BCCI's financial records for its foreign operations, however, one cannot rule out the possibility that BCCI made payments to U.S. officials and abused U.S. banks. Except for a single transaction, special examinations by the federal banking agencies uncovered no evidence that BCCI had adversely influenced the operations of First American Bank and Independence Bank for its own benefit. The Federal Reserve and the Federal Deposit Insurance Corporation, however, did not have full access to BCCI documents overseas. As part of a plea agreement with the United States, BCCI will cooperate in the investigation by producing documents, tangible evidence, and other information on BCCI activities. At the time of GAO's work, the banking agencies had yet to obtain this material and it was unclear what, if anything, it would reveal about direct payments to U.S. government officials or secret bank ownership. More recently, the Federal Reserve charged Clark Clifford and Robert Altman, former counsels to and directors of First American, with engaging in unsafe and unsound banking practices.

### **Resolution Trust Corporation:**

#### **Asset Pooling and Marketing Practices Add Millions to Contract Costs**

GAO/GGD-93-2, Oct. 7 (58 pages).

The Resolution Trust Corporation (RTC), which was created to help clean up the savings and loan disaster of the 1980s, has paid or is potentially liable for millions of dollars in unearned private contractor fees for the management and disposal of assets acquired from failed thrifts. The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 made RTC responsible for resolving failed financial institutions and disposing of their assets. In doing its job, RTC is required to rely on the private sector for asset management and disposition services if they are available and considered practical and efficient. Such contractors have already been entrusted with more than \$31 billion in assets. This report examines whether RTC (1) identified assets that required the kinds of services described under its Standard Asset Management and Disposition Agreements before hiring contractors, (2) paid fees to such contractors only for those services actually provided, and (3) pooled assets into portfolios in a cost-effective way.

**Resolution Trust Corporation:  
Subcontractor Cash Management Practices Violate Policy and  
Reduce Income**

GAO/GGD-93-7, Oct. 20 (13 pages).

GAO has repeatedly voiced concerns about how the Resolution Trust Corporation (RTC) monitors contractor performance. As of June 1992, RTC had awarded more than 85,000 contracts but had completed only 44 contract audits. Upwards of 250 contractor audits are now under way, but, because these efforts were slow in starting, GAO began reviewing oversight of Standard Asset Management and Disposition Agreement subcontractors. GAO found that a majority of the subcontractors it surveyed did not follow RTC policies governing the use and control of cash from RTC properties. Instead of establishing separate accounts for deposits and disbursements, almost all of the subcontractors GAO reviewed used one account for both. For example, some subcontractors used cash generated from RTC properties to pay expenses, which in some cases included their own management fees, instead of submitting funding requests as required by RTC. Neither RTC field offices nor the contractors adequately monitored these subcontractors, several of whom reported that they had never been visited nor had their operating procedures been reviewed. In addition, although RTC requires contractors to open interest-bearing checking accounts to pay asset management expenses, no such requirement pertains to subcontractors. Only one subcontractor reviewed by GAO opened such an account. Had the others in GAO's sample

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done so, RTC would have earned about \$111,000 in interest, which hints at the potential magnitude of lost interest income among the 1,600 property management subcontractors nationwide.

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## Financial Management

### **Financial Audit: Expenditures by Nine Independent Counsels**

GAO/AFMD-93-1, Oct. 9 (50 pages).

As of March 31, 1992, nine independent counsels appointed since 1985 spent an estimated \$43 million on several investigations, but the accuracy and completeness of those expenditures cannot be verified because of poor records and serious internal control weaknesses. The \$43 million included pay and benefits, travel, office rent, and other outlays. Five of the nine independent counsels did not provide some of the reports of their expenditures required by law. In addition, GAO discovered that some expenditures were inconsistent with laws and regulations. GAO also noted that independent counsels incur costs, such as for detailees from the FBI, that are not paid from the permanent, indefinite appropriations established to fund independent counsel activities. One independent counsel ran up an estimated \$5 million in such costs. There is no requirement to report or audit these costs, and the independent counsels and federal agencies did not separately account for the costs. The reports, as a result, understate the full costs of independent counsel activities. The problems GAO uncovered show a serious breakdown in the accountability over independent counsel administrative operations, with the Department of Justice, the Administrative Office of the U.S. Courts, and the independent counsels disagreeing on their administrative responsibilities. If the independent counsel law is extended, Congress should clearly spell out such responsibilities for these three groups and other government agencies.

### **Financial Audit: House Stationery Revolving Funds Statements—June 30, 1991 and 1990**

GAO/AFMD-93-2, Oct. 21 (13 pages).

GAO audited the balance sheets of the House of Representatives Stationery Revolving Fund as of June 30, 1991 and 1990 and the related statements of operations and cash flows. In GAO's opinion, the financial statements

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present fairly, in all material respects, the financial position of the Fund and the results of its operations and cash flows in conformity with generally accepted accounting principles.

**Financial Management:  
NASA's Financial Records Are Based on Unreliable Data**

GAO/AFMD-93-3, Oct. 29 (76 pages).

NASA financial managers are responsible for almost \$27 billion worth of assets and nearly \$14 billion in appropriations each year. The Office of Management and Budget (OMB) has declared NASA's financial management systems to be at risk for waste, abuse, and mismanagement, and both OMB and GAO have designated NASA contract administration at high risk because of previously cited weaknesses and NASA's growing reliance on its contractors for data. GAO discovered that NASA's internal controls and financial management systems do not provide accurate and reliable financial information to effectively manage the agency, especially oversight of the significant assets and funds under the control of its contractors. NASA did not always receive contractor-reported cost and performance data, and program analysts inappropriately adjusted contractor cost data without supporting documentation. In some cases, this practice concealed overruns, or underruns, or instances in which costs exceeded obligations of budget plans. For example, cost reports for development of space shuttle toilets showed major cost growth, but NASA took little action to control costs until GAO discovered a 900-percent increase over the initial estimate. Due to fundamental accounting and systems problems, NASA's fiscal year 1991 year-end reports to the Treasury Department contained more than \$500 million in errors.

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**Government  
Operations**

**Bankruptcy Administration:  
Justification Lacking for Two Parallel Programs**

GAO/GGD-92-133, Sept. 28 (46 pages).

During the past several years, bankruptcy filings have increased more rapidly than at any other time in history. Filings since 1986 have soared 84 percent, from 478,000 to 880,000, and 1 million bankruptcy filings are predicted for 1992. Two programs exist to ensure that bankruptcy cases are administered in accordance with the bankruptcy laws: the U.S. Trustee program and the Bankruptcy Administrator program. GAO could not find

any justification for continuing these two separate programs, which were created when Congress overhauled the bankruptcy system in 1978. GAO's review of the two programs in selected districts found that the U.S. Trustee program costs more, but the expense is shouldered by system users. The Bankruptcy Administrator program, by contrast, has a different fee structure and is not self-financing. GAO's analysis of key performance indicators in these districts found no systematic differences that would recommend one organizational structure over the other. To limit the impact of the U.S. Trustee program on the federal budget, Congress incorporated a self-funding provision that is now generating funds in excess of what is appropriated to run the program.

**Michigan Communities:  
Services Cut in Response to Fiscal Distress**

GAO/HRD-92-142, Sept. 29 (31 pages).

Local communities have been hard hit by changing economic conditions and declining revenues from the federal government. To determine how local governments are coping with these changes and shifts in intergovernmental responsibilities, GAO looked into the situation among local governments in Michigan and did case studies for the following communities: the cities of Detroit, Saginaw, and St. Clair Shores and the county of Saginaw. These case studies (1) examine fiscal conditions, including the communities' responses to the elimination of general revenue sharing in 1986; (2) identify the range of local responses to economic conditions and declines in intergovernmental revenues; and (3) determine whether state policies and actions helped local governments maintain public services.

**General Services Administration:  
Actions Needed to Improve Protection Against Fraud, Waste, and Mismanagement**

GAO/GGD-92-98, Sept. 30 (89 pages).

Government program abuses, illegal activities, and management inefficiencies cost taxpayers billions of dollars each year and undermine public confidence in the government's ability to manage programs and safeguard valuable federal assets. Continuing revelations of such problems suggest that the federal government's internal and accounting controls are not working. Because of past abuses at the General Services

Administration (GSA) and the scope of its operations, GAO looked into GSA's efforts to combat fraud, waste, and mismanagement. GAO identified eight GSA functions and activities that pose the greatest risk of losses and inefficiencies. Despite attempts by GSA to control the risks, some of these areas are inherently vulnerable and require constant vigilance. For others, the corrective actions have been less than fully successful or have been put into effect too recently to judge their effectiveness. Over the years, GSA management has made concerted efforts to bolster internal control systems, and progress has been made. Yet audits continue to spotlight many recurring management, operational, and oversight deficiencies. As a result, the agency's multibillion-dollar operations are not as fully protected as they should be. GAO believes that more improvements are needed to ensure that corrective action to control system weaknesses is both timely and effective.

**Quality Management:  
Survey of Federal Organizations**

GAO/GGD-93-9BR, Oct. 1 (67 pages).

A growing number of federal agencies are adopting Total Quality Management (TQM); about 68 percent of the government installations GAO surveyed reported that they were working on TQM, with most focusing on the early phases of that approach. Installations, as defined by the Office of Personnel Management, are units headed by an individual who is not subject to on-site supervision by a higher level installation head and who has some degree of authority in the performance of personnel management. The rest of the government installations are not now implementing TQM, but about half said that they plan to do so in the future. Although TQM is being initiated on a fairly wide scale, employee involvement remains sparse. Installations further along in implementing TQM reported more involvement in TQM activities, such as training, improvement teams, and measuring performance. Also, respondents reported both fewer barriers and more employee involvement as they progressed further into TQM implementation. More importantly, although many respondents said that they are reaping benefits as a direct result of TQM, the level of reported benefits increased substantially for installations further along in implementing TQM.

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**Administrative Law Judges:  
Allegations of Interference by the Department of the Interior**

GAO/GGD-93-6, Oct. 2 (20 pages).

GAO reviewed allegations that the independence of 12 administrative law judges and the former chief administrative law judge had been compromised by the Department of the Interior when it threatened to fire some individuals, denied promotions, and took other actions. This report discusses whether (1) evidence exists that Interior's actions might have compromised the administrative law judge's decisional independence, (2) evidence exists that Interior improperly influenced an Office of Personnel Management decision to classify eight Indian probate administrative law judge positions at the GS-15 grade level, and (3) reporting to officials below the agency head has created concerns among administrative law judges in other agencies about their decisional independence. GAO also provides the views of administrative law judges on establishing a separate agency for them.

**Foreign Service:  
Agencies Use Various Criteria for Granting Limited Career  
Extensions**

GAO/NSIAD-93-19, Oct. 15 (seven pages).

This report examines foreign service agencies' compliance with provisions of the Foreign Service Act of 1980, which permits limited career extensions. Under that legislation, agencies can use limited career extensions to retain senior-level foreign service officers beyond the mandated time limits of their careers. Specifically, GAO discusses (1) whether limited career extensions were granted in compliance with the law and agencies' policies, (2) the number and percentage of eligible employees granted such extensions, and (3) the effect that these extensions have on promotion opportunities for lower graded staff.

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**Health**

**Hospital Costs:  
Adoption of Technologies Drives Cost Growth**

GAO/HRD-92-120, Sept. 9 (40 pages).

During the 1980s, despite federal attempts to contain cost growth, Medicare hospital expenditures rose by half—from \$32 billion to \$48 billion. Although costs grew throughout the decade, their rate of growth slowed immediately after the introduction in 1983 of Medicare's prospective payment system, which offers hospitals incentives to provide care more efficiently than under the cost-based reimbursement system. By 1988, however, other trends in hospital care, such as the shift to outpatient services and the rise in case complexity, again fueled cost growth. Several factors stimulated hospital cost increases, the single most important being the rapid adoption of new medical technology. Because hospitals do not compete for patients on the basis of price, hospital managers tried to gain a market edge by offering the most state-of-the-art medical services. Reimbursement methods that passed these costs on to insurance companies and other third-party payers only served to stimulate this medical arms race. As a result, the cost of care soared, with hospitals offering new services, paying higher wages to their employees, and devoting more resources to each patient. Despite the expense associated with treating AIDS patients, the disease played only a modest role in driving hospital cost growth in the 1980s. Nor were the costs for malpractice insurance a major factor in rising costs during that period. Administrative costs, in fact, played a far larger role.

**Employer-Based Health Insurance:  
High Costs, Wide Variation Threaten System**

GAO/HRD-92-125, Sept. 22 (60 pages).

With the costs of health insurance constantly outstripping the inflation rate, U.S. businesses are having a hard time providing their workers with health insurance. The average company has seen employer health insurance costs more than double as a share of its total wage bill in the last two decades. The situation has been even more devastating for firms with older or less healthy workers, firms located in high-cost areas, smaller firms, and firms with large numbers of retirees covered by company health plans. The demise of community rating and segmentation of insurance risk groups is evident in the significantly different health care costs experienced by firms, much of which is largely beyond their control in the short term. The large variation in firm costs, as well as the difficulty for some firms in obtaining or retaining health coverage, contributes to the continuing erosion of employee-provided health insurance. Today, some businesses are eliminating health insurance for workers with potentially expensive medical conditions; shifting costs to employees by raising

deductibles and copayments; cutting back retiree benefits; and, in some cases, eliminating coverage entirely. As Congress considers health care reform proposals, the huge variation in health care costs become a major point of contention. In GAO's view, unless universal access is a component of health care reform, it is not clear that reforms designed to help those firms with particularly high health care costs will generate any real improvement in access to care.

**Medical Technology:  
For Some Cardiac Pacemaker Leads, the Public Health Risks Are Still High**

GAO/PEMD-92-20, Sept. 23 (52 pages).

GAO's analysis shows that the health risks associated with defective pacemaker leads, which transmit electrical impulses between the heart and the pulse generator, are real and potentially deadly. Many patients are concerned about the safety and effectiveness of their pacemakers and believe that they have a right to know about any problems with their devices and to participate in decisions concerning their health care. More postmarket performance monitoring, early problem identification, and notification of all affected individuals and organizations could minimize or even prevent the harmful effects of defective pacemaker leads. Both experts and the technical literature generally agree that failure rate analysis is useful in spotting pacemaker leads with manufacturing or design problems. The Food and Drug Administration (FDA), however, has no formal performance standard requiring the agency or manufacturers to begin remedial action as a result of such analyses, and FDA has no comprehensive data system in place to identify and track how the devices perform in patients. Having such information, as well as Medicare's pacemaker expenditure data, would help in estimating the costs reimbursable to the government and to patients for flawed devices.

**Prescription Drugs:  
Companies Typically Charge More in the United States Than in Canada**

GAO/HRD-92-110, Sept. 30 (37 pages).

The escalation in prescription drug costs—borne by consumers, insurers, and other third-party payers—has sparked congressional interest in the pricing practices of drug companies. Various studies have found that

prescription drug prices are substantially higher in the United States than in other countries. GAO compared U.S. factory prices with those in Canada and found that manufacturers' prices to wholesalers for identical prescription drugs are typically higher in the United States than in Canada. The price differences are largely attributable to actions taken by Canada's federal and provincial governments to restrain drug prices, not to any differences in manufacturers' costs between the two countries. The implications of adopting Canadian regulations in the United States are in dispute, and it is unclear how such regulations would affect manufacturers' ability to develop innovative drug products.

**Trauma Care Reimbursement:  
Poor Understanding of Losses and Coverage for Undocumented Aliens**

GAO/PEMD-93-1, Oct. 15 (16 pages).

GAO looked at the compensation received by four trauma centers in California, New Mexico, and Texas for treatment they provided to undocumented aliens. Three of the centers did not have any major problems obtaining Medicaid reimbursement. Representatives of the fourth facility said that they had not received such payments and had no indication from the state that emergency treatment for undocumented aliens would be covered by Medicaid. GAO confirmed that the state has never published this information. In an effort to support requests for financial aid or to track the sources of uncompensated care, the three facilities receiving Medicaid reimbursement had also tried to estimate the cost of providing services to undocumented aliens. GAO, however, found important methodological weaknesses in each facility's analysis. Nonetheless, an objective procedure for using routinely collected information to assess immigration status accurately is a potentially fruitful strategy that might be implemented at modest cost in a variety of settings.

**Women's Health:  
FDA Needs to Ensure More Study of Gender Differences in Prescription Drug Testing**

GAO/HRD-93-17, Oct. 29 (39 pages).

Although men and women can, due to physiological differences, respond very differently to the same prescription drug, evidence suggests that drug companies may not be studying drug test data for possible gender-related

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differences. Concerns have been raised that women could be at risk if the Food and Drug Administration (FDA) approves drugs on the basis of clinical trials that underrepresent women. FDA guidance to drug manufacturers urges that they test new drugs on representative patient populations, yet FDA does not define "representative" and manufacturers are inconsistent in applying FDA's guidance. One-quarter of the drug manufacturers in one survey reported that they make no effort to recruit representative numbers of women for drug trials, and more than 40 percent said that FDA had not asked them to include women. Women were included in clinical trials for all the drugs in GAO's survey but were generally underrepresented. Even when enough women are included in drug testing, trial data are often not analyzed to determine if women's responses differed from those of men. Also, many drug manufacturers do not study whether their drugs interact with hormones present in women, including hormones commonly found in oral contraceptives. FDA should ensure that the drug industry consistently includes sufficient numbers of women in drug testing to identify gender-related differences in drug response and that such differences are explored and studied.

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## Income Security

### **Social Security:**

#### **Reconciliation Improved SSA Earnings Records, but Efforts Were Incomplete**

GAO/HRD-92-81, Sept. 1 (53 pages).

A 1987 GAO report noted that employers had reported \$58 billion more in social security wages to the Internal Revenue Service (IRS) than to the Social Security Administration (SSA). As a result, millions of workers may be shortchanged when their social security benefits are calculated because they were never credited for wages they had earned and paid social security taxes on. In addition, billions of dollars provisionally credited by the Treasury Department to the social security trust fund were not supported by SSA's records. Considerable progress has been made in addressing the differences between wages reported to SSA and IRS, although the reconciliation process would have been more successful had IRS met all of its commitments to share wage data. Its delays in setting up a penalty program caused IRS to overrun a statute of limitations on applying such penalties. IRS did not effectively institute provisions to help prevent known causes of reporting differences and arbitrarily limited the number of referred SSA cases that it worked. In addition, SSA needs to do more to prevent employer reporting problems. Also unresolved is the trust fund

problem arising from differences in SSA and IRS records. After reconciliation, more than \$65 billion in wage differences remain for 1978-86 cases. Thus, about \$9 billion credited to the trust funds—social security taxes on the unreconciled wages—are not supported by SSA's earnings records. GAO concludes that funding of the trust funds should be based on the amount of social security taxes collected.

**Social Security:  
Causes of Increased Overpayments, 1986 to 1989**

GAO/HRD-92-107, Sept. 28 (24 pages).

GAO reported in July 1991 (GAO/HRD-91-46) that the amount of newly detected benefit overpayments by the Social Security Administration (SSA) had increased from \$1 billion in 1986 to nearly \$1.5 billion in 1989. Several factors account for the \$500-million increase. First, a one-time accounting adjustment to SSA overpayment records cut the amount of overpayment detections in 1986 from about \$1.3 billion to \$1 billion. This \$340 million adjustment accounts for 68 percent of the increase. Second, SSA estimates that an operational improvement enhanced overpayment detection by about \$100 million, or 20 percent of the increase. Growth in the number of people receiving benefits along with increases in benefit levels accounts for the remaining increase in overpayment detections. Although staff reductions could have led to increases in overpayments, GAO found no evidence to support this.

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**Information  
Management**

**Defense ADP:  
Corporate Information Management Must Overcome Major  
Problems**

GAO/IMTEC-92-77, Sept. 14 (24 pages).

The Pentagon's Corporation Information Management (CIM) initiative is one of the largest information-management efforts ever undertaken. Its success is threatened by three interlocking problems—issues that center around whether the Defense Department (DOD) can change longstanding, fundamental ways of doing things and whether business processes or technology becomes the driving force in managing DOD information. First, DOD has not established formal policies or directives on how the roles of the military services and the Secretary of Defense should change to meet CIM goals, despite the fact that CIM requires centralized control over

business operations. Second, control over funds for managing functional areas is not shifting. As a result, even though the Secretary of Defense will be responsible for managing business decisions, control of these funds remains with the services. Third, in what represents a business-as-usual approach, DOD is focusing on choosing specific technology without also determining what the goal of its operations should be and what, if anything, needs to be changed to accomplish that goal. GAO argues that if this approach is to succeed, incremental business decisions must be made before technology is selected. To do otherwise invites risk and creates the illusion of progress, potentially undercutting billions in potential CM savings by locking the Pentagon into existing and possibly inefficient ways of doing business—ways that, although automated, may not serve the business goals of tomorrow.

**Tax Systems Modernization:  
Concerns Over Security and Privacy Elements of the Systems  
Architecture**

GAO/IMTEC-92-63, Sept. 21 (11 pages).

The Internal Revenue Service (IRS) has made progress in addressing GAO's concerns about the security and privacy aspects of Tax Systems Modernization, an \$8-billion program to modernize the agency's 1950s-era tax processing system. IRS plans to complete actions in some of these areas—disaster recovery and managing user identification and profiles—when the next version of the Security Architecture is issued in March 1993. It is uncertain, however, when actions will be complete in other areas—independence among security software administrators and developers and accountability for protecting taxpayer privacy. Part of the problem is the lack of a firm deadline for resolving these issues and the need for coordination among several organizations within IRS.

**Tax Systems Modernization:  
IRS' Use of Consultants to Do the TMAC Price/Technical Tradeoff  
Analysis**

GAO/IMTEC-93-4BR, Oct. 23 (15 pages).

GAO reviewed the Internal Revenue Service's (IRS) use of outside consultants to do a second price/technical tradeoff analysis for the Treasury Multi-user Acquisition Contract (TMAC) procurement, which will provide IRS with minicomputers, workstations, printers, and other

equipment as part of the agency's \$8-billion modernization effort. Although IRS' decision to use outside consultants appears reasonable and not inconsistent with the Federal Acquisition Regulation, federal guidance is not specific as to what is required to determine whether expertise is readily available within the government. This experience underscores the need for IRS to properly plan procurements and to ensure the availability of expertise to do them successfully. This is especially true for best value procurements that may involve sophisticated analyses and judgments of the relative value of technical and cost features. IRS' plans to award more procurements using the best value method make it imperative that the lessons learned from TMAC be carried forward. IRS' efforts to include guidance in source selection plans and to have people with the requisite expertise are steps in the right direction.

**Securities and Exchange Commission:  
Effective Development of the EDGAR System Requires Top  
Management Attention**

GAO/IMTEC-92-85, Sept. 30 (12 pages).

The Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system is intended to automate the filing, analysis, and dissemination of information submitted to the Securities and Exchange Commission (SEC) by entities trying to raise capital. Although EDGAR software development was to be essentially complete by late 1990 at a total cost of \$51.5 million, the project is now three years behind schedule and is nearly \$20 million over budget. The upshot is that SEC is still struggling today with requirements for a system that was conceived more than a decade ago. The absence of an effective way to analyze and prioritize EDGAR's system requirements has led to their uncontrolled growth. As of February 1992, the requirements had climbed from the original 350 to nearly 1,000 and could increase even more. The problem began when SEC accepted incomplete requirements documents from the contractor, who SEC asked to define user requirements and provide hardware and software to meet them. As development proceeded, SEC staff continually added or changed requirements. SEC top management did not intervene to deal with this growth, and the EDGAR steering committee never met after the contract was awarded. Although SEC has established a change control board to review and approve functional changes to EDGAR, the board lacks representation from key system users, calling into question the board's ability to resolve the user requirements issue.

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## International Affairs

### **State Department: Facilities in Eastern Europe and the Former Soviet Union**

GAO/NSIAD-92-284, Sept. 22 (30 pages).

Reacting to rapid and dramatic political changes in the former Soviet Union and Eastern Europe, the U.S. government plans to acquire large amounts of real estate for diplomatic office space and housing. GAO reviewed the State Department's actions and plans for new facilities in the region. This report discusses (1) the progress and costs associated with facility acquisitions and renovations, (2) building security and safety measures and how they differ from Department standards, and (3) the role of the U.S. Army Corps of Engineers in helping the Department renovate selected posts.

### **Jordan: Suspension of U.S. Military Assistance During Gulf Crisis**

GAO/NSIAD-92-343, Sept. 25 (19 pages).

The United States has kept up favorable relations with Jordan because of its stabilizing influence in the Middle East and its efforts to reach a peace settlement in the region. Since 1951, the United States has earmarked about \$3.5 billion in foreign economic and military aid to Jordan. During the Persian Gulf war, however, King Hussein—confronted with a sizable Palestinian population loyal to Saddam Hussein—became openly critical of the United States and Operation Desert Storm. Although arguing that Iraq should withdraw from Kuwait, Jordan distanced itself from the allied effort to free Kuwait and continued to import Iraqi oil. Early in the conflict, reports surfaced of transshipments of defense material from Jordan to Iraq. This report (1) reviews the policy on the delivery of defense articles to Jordan under the security assistance program from August 1990 through August 1991, (2) determines whether deliveries were ended at any time during that period, (3) identifies the number and types of defense articles delivered, (4) identifies defense articles procured but not delivered and their status today, and (5) examines whether Congress was adequately informed of these actions.

### **Nonimmigrant Visas: Requirements Affecting Artists, Entertainers, and Athletes**

GAO/NSIAD-93-6, Oct. 26 (23 pages).

This report discusses the admission into the United States of artists, entertainers, and athletes under the Immigration and Nationality Act. GAO also examines (1) other countries' barriers to employment of U.S. artists, entertainers, and athletes and (2) other countries' barriers to distributing products—such as movies—linked with U.S. artists, entertainers, and athletes.

## Justice and Law Enforcement

### **Federal Jail Bedspace: Cost Savings and Greater Accuracy Possible in the Capacity Expansion Plan**

GAO/GGD-92-141, Sept. 24 (40 pages).

The Bureau of Prisons should revise federal jail design standards, as it has already done for prisons, to allow double-bunking. The Bureau has successfully doubled-bunked detainees extensively for many years. GAO suggests that double-bunking 50 percent of bedspace in fiscal year 1996 could save as much as \$61 million. The contract bedspace programs should be better planned and emphasized. Estimates of fiscal year 1996 bedspace as part of Intergovernmental Agreements—arrangements with state or local jails for use of bedspace for a per diem, on an “as available” basis—may be inaccurate because they rely on out-of-date information and were gathered from a survey using ambiguous terminology. The U.S. Marshals Service may lose bedspace because the Office of Management and Budget, believing that bedspace at the Bureau is more economical, may cut funding. GAO’s analysis, however, shows that bedspace under the Cooperative Agreement Program—under which federal funds are given for state or local jail construction in exchange for guaranteed bedspace for a specified number of years—is cost effective and fills needs that the Bureau cannot. Listings of Bureau bedspace available for use by the U.S. Marshals Service in fiscal year 1996 contained inaccuracies affecting 19 of 31 locations. Among other errors, the Bureau failed to consider sentenced inmate or Immigration and Naturalization Service bedspace needs.

### **Bank and Thrift Criminal Fraud: Information on Justice’s Investigations and Prosecutions**

GAO/GGD-93-10FS, Oct. 5 (24 pages).

This fact sheet provides information on the Department of Justice’s investigations and prosecutions of criminal bank and thrift fraud. GAO

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discusses the recorded number of prosecutions and the number of investigations and cases that the U.S. Attorneys declined to proceed with, the amounts of fines and restitution that the government has collected, and what Justice officials have said about the adequacy of Justice's resources.

**Alcohol, Tobacco, and Firearms:  
Few Firearms Licensees Had Complaints About Inspections**

GAO/GGD-93-11BR, Oct. 22 (45 pages).

In response to complaints about the government's efforts to trace firearms used in crimes, GAO surveyed federally licensed gun dealers and pawnbrokers whose records on firearms sales had been inspected by the Bureau of Alcohol, Tobacco, and Firearms (ATF). This briefing report discusses (1) whether licensees had encountered problems with ATF's compliance inspections, (2) whether licensees had complained to ATF about their problems, (3) whether those licensees who complained believed that ATF had fairly addressed their concerns, and (4) how well licensees believed that ATF was carrying out its regulatory responsibilities.

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**National Defense**

**Operation Desert Storm:  
No Evidence That Foreign Suppliers Refused to Support War Effort**

GAO/NSIAD-92-234, Sept. 2 (14 pages).

In spite of its intensive efforts, GAO found no evidence to substantiate reports that foreign suppliers refused to expedite deliveries of parts and components needed in the Persian Gulf war. During the Gulf crisis, the Department of Commerce, which ran the system for speeding up deliveries of defense-related orders, received five requests from defense contractors located in the United States asking for help in accelerating deliveries from foreign suppliers. GAO found that the foreign suppliers in these five cases cooperated in a expeditious manner. Federal agency records show that the U.S. government contracted foreign governments to expedite orders of needed parts in two of these five cases. Of the remaining three cases, the foreign suppliers accelerated deliveries because of actions taken by the U.S. company in two cases and as a result of a U.S. government contract with a U.S.-based representative of the foreign supplier in one case. The Defense Department does not have a policy on the use of domestic second

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sources of parts and components that the military depends on foreign suppliers to provide.

**Operation Desert Storm:  
Lack of Accountability Over Materiel During Redeployment**

GAO/NSIAD-92-258, Sept. 23 (20 pages).

In response to congressional concerns that large amounts of supplies and materiel from Operation Desert Storm may have been lost or misused, GAO examined whether military assets were adequately safeguarded and properly accounted for. GAO found that the Army did not have oversight and control over materiel being sent back to the United States. Specifically, it lost track of materiel during the deployment to the Middle East, did not establish basic accountability over the materiel during the redeployment process, and began accounting for the materiel only after it was returned and processed at the final destinations. This situation left most of the materiel vulnerable to loss and theft as it was being shipped to and from the Middle East and used by U.S. forces in the region.

**Operation Desert Storm:  
Disposal and Sale of Excess Items**

GAO/NSIAD-93-18FS, Oct. 13 (15 pages).

This fact sheet discusses the results of the Operation Desert Storm Auction, which sold off materiel sent to Saudi Arabia during the Persian Gulf war and was later turned over to the disposal system. In general, items sold during phases I and II of the auction included vehicles from other governments and damaged or unusable U.S. vehicles. Other equipment sold, including tents, cable, kitchen equipment, scrap metal, and aluminum, tended to be heavily caked with sand. Empty ammunition boxes and demilitarized brass casings were also sold. During phase III of the auction, scheduled for November 1992, the military will try to sell off the remaining excess property, mainly vehicle scrap and condemned ammunition containers. The value of the U.S.-manufactured equipment held in Saudi Arabia at the end of May 1992 was about \$11 million versus almost \$199 million for materiel donated by foreign governments. The vast majority of the equipment sold was in "H" condition, which the Pentagon defines as unserviceable or condemned. Foreign equipment did not meet environmental protection or safety standards and could not be brought into the United States. Through a program to recover usable property,

\$139.6 million worth of the materiel was reused through the end of May 1992.

**Army Inventory:  
Problems Managing Excess Supplies as the Army Draws Down  
in Europe**

GAO/NSIAD-92-273, Sept. 22 (10 pages).

The U.S. Army in Europe has had difficulty quickly processing the large amounts of materiel turned in by units leaving Europe or returned from the Persian Gulf following the withdrawal of U.S. forces. As a result, millions of dollars worth of excess spare and repair parts have been building up—items that could be redistributed within the theater or used to meet the needs of Army units elsewhere. The Army, which has not effectively controlled the return, management, and disposition of excess materiel, is trying to strengthen its identification and management of these items. One of its most significant initiatives has been the use of a special team to review the management of excess materiel at individual units and to promote improved materiel management throughout the command. This special team is making progress in overcoming a prevailing culture that allows the holding of excess spare and repair parts at all echelons. In this culture, excess materiel that should be turned over to the wholesale supply system for possible distribution outside Europe is instead kept. The command also owns millions of dollars worth of materiel at two facilities run by the Army's wholesale manager, despite the fact that this materiel is in excess of the Army's needs and authorized inventories.

**Embedded Computer Systems:  
New F/A-18 Capabilities Impact Navy's Software Development  
Process**

GAO/IMTEC-92-81, Sept. 23 (14 pages).

The addition of more and more features to the Navy's F/A-18 "Hornet" fighter aircraft presents a major challenge to software development. The F/A-18, because of its ability to accommodate new capabilities, has become the lead platform for new avionics, weapons, and other subsystems. Currently, 28 other programs depend on the F/A-18 as their host platform. As a result, the Navy must accommodate the requirements and schedules of these programs as well as changes to the F/A-18's own software baseline. Integrating these subsystems into the F/A-18 while

modifying the baseline requires major software changes. The competing demands created by other programs have already affected the F/A-18's software. Earlier software updates released to the fleets had problems and fleet-desired enhancements that were not corrected and implemented mainly because development schedules and software needed to integrate new weapons, avionics, and other subsystems were given higher priority. Navy officials say that despite these challenges they are now able to handle any F/A-18 software development by deferring the correction of less serious problems. GAO is concerned, however, that, as more and more requirements are levied on the F/A-18 in the future, the risk of serious software problems will escalate, challenging the Navy's ability to effectively manage software development.

**Air Force Budget:  
Potential Reductions to Fiscal Year 1993 Air Force Procurement  
Budget**

GAO/NSIAD-92-331BR, Sept. 25 (eight pages).

GAO reviewed the Air Force's aircraft procurement budget request for various weapons systems for fiscal year 1993 and appropriations for the preceding two years to identify potential budget reductions and rescissions. GAO identified \$541.5 million in potential budget reductions and rescissions. These affect the B-2 bomber, F-15 fighter, C-135 aircraft modifications, and F-16 fighter modifications. Because the Air Force has reduced the number of KC-135 aircraft to be modified with new engines, the fiscal year 1993 budget request could be cut by \$186.7 million. Another \$354.8 million in fiscal year 1992 funds could be rescinded because they are not being used for the purposes intended when they were appropriated.

**1993 DOD Budget:  
Potential Reductions in Command, Control, and Communications  
Satellite Programs**

GAO/NSIAD-92-289BR, Sept. 29 (15 pages).

GAO reviewed fiscal year 1993 budget requests by the Army, Navy, and Air Force as well as prior years' appropriations for command, control, and communications satellite programs. Schedule slippages and technical risks, together with cost, requirements, and program changes, have affected the program funding requirements for both fiscal years 1993 and

1992. GAO identified \$120 million in potential reductions and rescissions. GAO focused on program cost, schedule, and performance issues and examined expenditure documents to see whether requests were adequately justified and prior years' unobligated funds should be retained. GAO also evaluated budgetary implications of program changes arising from threat changes identified by the Defense Department.

**1993 DOD Budget:  
Potential Reductions in Command, Control, and Communications  
Programs**

GAO/NSIAD-92-297BR, Sept. 30 (31 pages).

GAO examined the Defense Department's (DOD) fiscal year 1993 budget request and prior years' appropriations for command, control, and communications programs. Schedule delays, program requirements and changes, and uncertainties have affected program funding requirements for fiscal year 1993 as well as fiscal year 1992 appropriations. GAO identified \$987.3 million in potential reductions and rescissions. These totaled \$217.3 million in Army programs, \$504.5 million in Navy programs, \$116.6 million in Air Force programs, and \$148.9 million in Defense Agencies' programs. GAO focused on program cost, schedule, and performance issues and examined expenditure documents to see whether requests were adequately justified and whether unobligated funds from prior appropriations should be retained. GAO also evaluated budgetary implications of program changes resulting from threat changes identified by DOD.

**1993 Defense Budget:  
Potential Reductions to Army and Navy Missile Programs**

GAO/NSIAD-92-342BR, Sept. 30 (13 pages).

GAO reviewed the justifications for the fiscal year 1993 budget requests of \$1.7 billion for 13 missile systems. GAO identified \$47.4 million in potential reductions and rescissions to five of the 13 missile programs: \$22.2 million in potential reductions to the fiscal year 1993 requests for two systems, \$17.8 million in potential rescissions from the fiscal year 1992 appropriation for two systems, and \$7.4 million in potential rescissions from the fiscal year 1991 Operation Desert Shield/Desert Storm supplemental appropriation for one system. These reductions and rescissions are possible because (1) requirements are questionable or have

been reduced, (2) costs are less than anticipated, and (3) more current information indicates that decreases are possible. GAO found no potential reductions or rescissions for eight of the missile systems it reviewed. GAO did identify issues concerning two missile systems—the Javelin and the Extended Range Interceptor Technology program—that are important to the appropriation deliberations. These issues involve (1) whether the advance procurement funding for the Javelin will be needed and (2) whether, if appropriated, the total funding requested for the Extended Range Interceptor Technology program will be used for that purpose.

**1993 Navy Budget:  
Potential Reductions in Weapons Procurement Programs**

GAO/NSIAD-92-317BR, Sept. 30 (21 pages).

In reviewing the Navy's justification for its fiscal year 1993 weapons procurement budget request and prior-year appropriations, GAO identified \$55.3 million in potential reductions to the fiscal year 1993 budget request and \$327.5 million in potential rescissions from appropriated funds for fiscal years 1991 and 1992. GAO also identified for potential rescission \$130 million in fiscal year 1992 funds for the Harpoon missile program and \$13.2 million in fiscal year 1992 funds for the Weapons Industrial Facilities program. A Defense Department (DOD) comptroller is withholding these funds as part of the debate on how money should be spent for defense. In addition, another potential rescission of \$83.3 million exists from fiscal years 1990 through 1992 funds. These funds are being held in reserve by DOD comptrollers. This potential rescission is due to program funds that were either being held pending a program review decision or were no longer needed for the purposes specified to fund the program.

**Battlefield Automation:  
Army Tactical Command and Control System's Schedule and Cost**

GAO/NSIAD-92-309BR, Sept. 25 (23 pages).

The Army Tactical Command and Control System is a \$20-billion effort to improve the coordination and control of combat forces by automating such functions as field artillery, tactical intelligence, and forward area air defense. From December 1990 through June 1992, program schedules changed for seven of the nine segments comprising the system; six segments slipped and one segment was speeded up. The changes were mainly due to alignment of segment schedules, test site availability,

software development problems, and integration of existing capabilities. Army estimates show that, since 1990, system costs fell by \$2.8 billion due to Army force structure reductions and termination of program components because of the diminished Soviet threat. GAO remains concerned about the (1) Army's plan to begin procurement of the system without demonstrating the automated exchange of data among all segments, (2) lack of time available for training test unit personnel, and (3) acquisition strategy that defers system functions and increases logistical support costs.

**Army Training:  
Long-standing Control Problems Hinder the CAPSTONE Program**

GAO/NSIAD-92-261, Sept. 30 (40 pages).

The Army's CAPSTONE program has tried to improve readiness by aligning active and reserve units with wartime commands and by identifying units' anticipated wartime missions. These alignments are meant to serve mainly as a basis for peacetime training. GAO reported a decade ago that wartime commands did not always provide mission guidance to some of their subordinate units. Consequently, some of these units had no idea what missions would be expected of them during wartime. Moreover, the extent of this problem could not be determined because the Army lacked an adequate information system. Because of inadequate controls over the CAPSTONE program, the Army still lacks an effective way of identifying units that are not aligned with a wartime command. As a result, the Army was unaware that, since 1989, at least 116 active and reserve units did not have a CAPSTONE alignment. This report details the Army's controls to (1) align active and reserve units with a wartime command, (2) identify unaligned units and take appropriate action, (3) provide aligned units with wartime mission guidance, and (4) monitor CAPSTONE's effectiveness.

**Security Assistance:  
Observations on Post-Cold War Program Changes**

GAO/NSIAD-92-248, Sept. 30 (44 pages).

Despite the end of the Cold War, most U.S. security assistance continues to go to the same nations. In fiscal year 1989, six countries—Israel, Egypt, Greece, Turkey, Portugal, and the Philippines—received the bulk of such funding, a trend that continued in proposed funding for fiscal year 1993. In the wake of radical changes in the Soviet Union and Eastern Europe, the

United States has added new security assistance goals, including stronger support for emerging democracies and increased aid to fight drug trafficking. These newfound objectives have freed up aid to several new recipients, including the former Soviet Republics and some Central European countries. The scope of the International Military Education and Training (IMET) Program expanded in fiscal year 1991 to include educating civilians in high-level government posts. The intent is to improve civilian/military relations and civilian control over the military. Although the law stipulates human rights awareness as part of the IMET program, the Defense Department does not provide specific human rights training. The Army and, to a lesser extent, the Marines have established specific programs to train Foreign Service Officers assigned to Security Assistance Organizations. The Air Force and the Navy, however, lack special programs. The Security Assistance Organization officers GAO contacted had mixed opinions on whether assignments to this area hinder career advancement.

**Defense Logistics:**

**DOD Addressing Concerns About Its Fuel Depot in Norwalk, California**

GAO/NSIAD-93-17, Oct. 14 (17 pages).

For the past five years, residents of Norwalk, California, have objected to the nearby Defense Fuel Support Point because of the potential for catastrophic fires, ground contamination due to fuel leaks, and economic hardship linked to real estate that has become unsalable. The Defense Department studied the situation and, in GAO's view, used sound criteria, assumptions, and analyses to identify and assess three basic alternatives concerning the facility's future—maintaining the status quo, reducing operations, or closing the facility and developing an alternate supply route. Ultimately, DOD decided on retaining the facility and reducing the amount of fuel stored there. Besides studying the alternatives, DOD took steps to address the safety and environmental issues raised by the city. For example, it commissioned studies assessing earthquake dangers and identifying the source, extent, and types of on-site and off-site contamination, together with actions to boost safety and physical security and to clean up contamination. DOD also responded in two instances to economic hardship alleged by a property owner and a lender who wished to finance nearby real estate.

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**Defense Health Care:  
Physical Exams and Dental Care Following the Persian Gulf War**

GAO/HRD-93-5, Oct. 15 (24 pages).

The Department of Veterans Affairs (VA) may have a hard time deciding the disability claims of soldiers who served in the Persian Gulf war because physical exams were not routinely given to all discharged personnel and reservists. VA considers these exams to be crucial in deciding claims for service-connected disability payments. VA and the Defense Department (DOD) must reconcile VA's need for medical information with DOD's need to expedite the separation processing of service members. This could be achieved by establishing a minimal, uniform separation physical examination that carefully catalogs any health problems experienced during active duty. Denial of access to VA dental treatment for Persian Gulf war veterans does not appear to be widespread, but at least several hundred veterans were denied dental treatment because of incorrect paperwork linked to the rapid processing of large numbers of personnel. The dental access problem could be avoided in the future if DOD did not have to specify on discharge papers whether dental care was provided. Because VA could use its own dental examinations and veterans' dental records to establish eligibility for the benefit, the removal of the DOD certification requirement—a move requiring legislation—would not significantly change the nature or scope of the dental benefit.

**Army Inventory:  
Divisions' Authorized Levels of Demand-Based Items Can Be Reduced**

GAO/NSIAD-93-9, Oct. 20 (35 pages).

Army divisions in the United States are maintaining demand-based items in excess of the needs of their customers. The Army could cut the number and quantity of such items at the divisions without affecting military capability. The six divisions GAO reviewed kept about \$29 million worth of items considered demand-based—about 18 percent of the total authorized inventory—even though the items had been requested fewer than three times during a recent 12-month period. Furthermore, \$21 million worth was for items that the Army had no requests for. The Army is testing an inventory concept called "sparing to availability," the objective of which is to optimize the number of spare parts to meet specified weapon system performance targets. Although test results indicate that "sparing to

availability" has been successful, the test results are misleading, and the concept may conflict with other ongoing inventory management objectives. Consequently, questions exist about whether "sparing to availability" can achieve its objective.

**Environmental Cleanup:  
Observations on Consistency of Reimbursements to DOD  
Contractors**

GAO/NSIAD-93-77, Oct. 22 (33 pages).

This report provides information on Defense Department reimbursement of defense contractors' environmental cleanup costs. It presents case studies on four locations affecting three large defense contractors: (1) a rocket testing and manufacturing site near Sacramento, California, run by Aerojet-General Corporation; (2) two waste disposal sites near Seattle, Washington, that received hazardous waste from the Boeing Corporation and others; and (3) a former aircraft manufacturing site in Burbank, California, run by Lockheed Corporation.

**AV-8B Program:  
Aircraft Sales to Foreign Government to Fund Radar Procurement**

GAO/NSIAD-93-24, Oct. 23 (28 pages).

In 1990 the Navy embarked on a \$401 million program to add radar to the AV-8B aircraft. To buy these radar systems, the Navy sold two AV-8B aircraft to Italy from Defense Department stocks—a practice that constitutes an unauthorized use of foreign military proceeds. The Navy also sold three AV-8Bs to Italy, with Italy assuming the responsibility to buy these aircraft that the Navy already had under contract. This sale freed up appropriated funds that were used to buy the radar. The upshot of these sales is that the Marine Corps will have five fewer aircraft than Congress had appropriated funds to purchase. Although the Navy was repeatedly late in providing funds on the AV-8B radar contract, it did not violate the Anti-Deficiency Act because contract provisions were written essentially to preclude an unfunded liability situation.

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## Natural Resources

### **National Parks: Issues Involved in the Sale of the Yosemite National Park Concessioner**

GAO/RCED-92-232, Sept. 10 (13 pages).

In response to the Department of the Interior's concerns about foreign ownership of the major concessioner service in Yosemite National Park, the Yosemite Park and Curry Company, owned by a Japanese company, was sold to an American purchaser for \$61.5 million. The new concessioner should have enough revenue to pay the promissory note for the purchase price, cover operating expenses, and make a reasonable profit. GAO has not, however, reviewed the assumptions that the Park Service used to calculate its cash flow projections. Although the new concessioner will be required to implement some portion of the 1980 Yosemite General Management Plan, which seeks to reduce congestion in the park, the Park Service has not yet finalized what those requirements or the associated cost will be. Finally, the transfer of interests in the agreement between the Curry Company's parent firm—MCA, Inc.—and the middleman in the sale—the National Park Foundation—does not constitute a gift to the Foundation. Accordingly, the Foundation's participation in the agreement is unauthorized. Additionally, the Foundation's involvement appears to have been unnecessary to completing the transaction, since Interior is authorized to enter into such transactions directly. The Foundation appears to have been acting on Interior's behalf.

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## Science, Space, and Technology

### **Space Station: Resolving Conflict Over Integration Contractor's Role**

GAO/NSIAD-92-291BR, Sept. 10 (16 pages).

NASA has contracted with Grumman Corporation to provide engineering and other services for the Space Station Freedom. NASA and Grumman's working relationship has been turbulent over much of the contract period mainly because of (1) NASA's belief that Grumman did not promptly change from a program support contractor to an engineering and integration contractor when asked to do so and (2) Grumman's belief that NASA's failure to resolve issues stemming from organizational changes in the wake of the Challenger accident had hamstrung Grumman's ability to quickly assume the program integration role. NASA's concern with

Grumman's program management became so acute that by early 1990 the Fee Determination Official significantly cut Grumman's award fee. Since then, NASA and Grumman have made progress in redefining Grumman's role as the engineering and integration contractor. Both parties now believe that they have a mutual understanding of their roles and that no barriers exist that might preclude full performance by the contractor.

**Earth Observing System:  
Information on NASA's Incorporation of Existing Data Into EOSDIS**

GAO/IMTEC-92-79, Sept. 25 (12 pages).

NASA plans to include a variety of data into the early version of the Earth Observing System Data and Information System (EOSDIS), known as Version O, including reprocessed versions of some key large-volume data sets that have been collected over many years. Few of the data sets earmarked for reprocessing, however, will be sufficiently reworked to be available for users to test early EOSDIS capabilities and provide feedback. Although Version O is scheduled to be up and running in 1994, none of the six large data sets that the scientific community chose to be included is likely to be fully reprocessed by then. Many projects are still in the preliminary phase, with few details worked out on how their data sets will be made available through EOSDIS. Others do not even have preliminary plans or milestones because scientists are still debating various alternatives for reprocessing their data to make it useful within EOSDIS.

**Federal Research:  
Lessons Learned From SEMATECH**

GAO/RCED-92-283, Sept. 28 (24 pages).

SEMATECH—formed in 1987 to help the United States regain its leadership role in semiconductor production—has shown that a government-industry research and development alliance can help improve a U.S. industry's technological position while protecting the government's interest that the consortium be managed well. Whether this feat can be replicated and what conditions would lead to this result in other cases is uncertain. This report discusses the specific strengths and weaknesses of SEMATECH and makes suggestions to Congress in considering any future support for consortia intended to improve the competitive position of U.S. manufacturers.

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**Johnson Space Center Procurement:  
Controls Over Payments to Contractors Should Be Strengthened**

GAO/IMTEC-93-2, Oct. 23 (10 pages).

GAO has identified NASA's contract management practices as one of 16 government areas highly vulnerable to waste, fraud, and abuse. The Johnson Space Center in Houston, Texas, has various internal controls over the management of computer contracts, grants, and purchase orders. Those used for paying contractors, however, put the Center at risk. Specifically, contracting officers and technical representatives at the Center do not link the receipt of products and services actually received against the cost vouchers that contractors submit for payment. Although the Center relies on a series of internal controls to ensure that contractors deliver high-quality goods and services, none of these mechanisms is a substitute for periodic linking of contractors' cost vouchers with products actually received. As a result, it is possible that the Center may be billed—and end up paying—for goods and services never received.

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**Testimony**

Space Nuclear Propulsion: History, Cost, and Status of Programs, by Nancy R. Kingsbury, Director of Air Force Issues, before the Subcommittee on Investigations and Oversight, House Committee on Science, Space, and Technology. GAO/T-NSIAD-93-2, Oct. 1 (eight pages).

This testimony discusses space thermal propulsion programs being developed by the Defense Department and NASA with the support of the Department of Energy. GAO focuses on the history, costs, and current status of these programs as well as on the roles and responsibilities of the major participants.

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**Social Services**

**Integrating Human Services:  
Linking At-Risk Families With Services More Successful Than  
System Reform Efforts**

GAO/HRD-92-108, Sept. 24 (45 pages).

The number of people in poverty—now about 34 million—remained high throughout the past decade. One in five children is poor today, and increasing numbers of them are at risk for child abuse and educational failure. Poor families who seek government services often encounter a

fragmented and difficult-to-access system. Many take advantage only of the services offered by the first agency they contact. If they have to deal with more than one agency, the poor must often go to other locations where they may confront eligibility requirements and demands for information that are both confusing and conflicting. After more than 30 years of trying to streamline and upgrade the delivery of human services, the government has achieved only marginal successes. Federal, state, and local governments have used different approaches to integrate the delivery and health, education, and other social services to at-risk children and their families. This report discusses the (1) barriers that different approaches face in designing integrated service delivery systems and (2) policy options for future federal initiatives.

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## Transportation

### **Aviation Safety:**

#### **Progress on FAA Safety Indicators Program Slow and Challenges Remain**

GAO/TMTEC-92-57, Aug. 31 (40 pages).

After spending four years and more than \$7 million on the Safety Indicators Program, the Federal Aviation Administration (FAA) has made little progress in either coming up with a set of air safety measures or developing a computer system to (1) quickly and vividly depict the state of air safety and (2) support decisions on possible changes to safety activities. These measures, or indicators, are meant to bring emerging issues to the attention of top-level FAA officials and facilitate more aggressive management of the agency's safety mission. Ineffective user involvement and unclear management commitment have hindered FAA's completion of the program. Although an agency task force issued a report in mid-July on the indicators program, completion of the program is still years away, and problems with source data reliability remain a formidable challenge.

### **Highway Contracting:**

#### **Disadvantaged Business Eligibility Guidance and Oversight Are Ineffective**

GAO/RCED-92-148, Sept. 1 (24 pages).

State highway agencies are required to steer at least 10 percent of their federal highway funds to firms participating in the Disadvantaged Business

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**Enterprise Program.** Since 1988, state agencies have received thousands of new applications for participation in that program. For each application, state agencies must decide whether firms meet the eligibility standards found in federal laws and regulations. Ineffective guidance has hindered states from consistently applying the eligibility criteria for the program. This situation has arisen because the Department of Transportation (DOT) and the Federal Highway Administration (FHWA) have issued confusing and conflicting guidance on eligibility. As a result, states have interpreted key eligibility criteria differently. Despite varying state interpretations, DOT has yet to clarify its guidance. Although revisions have been under way since 1988 and DOT told Congress that it planned to publish a draft regulation by early 1991, that deadline went unmet. DOT now estimates that it will publish a final regulation by August 1993. FHWA, which is responsible for overseeing states' implementation of the program for federal highways, has not developed a system to evaluate whether the eligibility criteria are being correctly and uniformly applied.

**Mass Transit:**

**Effects of Tax Changes on Commuter Behavior**

GAO/RCED-92-243, Sept. 8 (30 pages).

Current tax rules favor employer-provided parking over employer-provided transit benefits, thereby encouraging individuals to drive to work rather than take mass transit. Increasing the tax-exempt amount of transit benefits that workers get from their employers, however, is unlikely to have a major impact on either transit ridership or drive-alone commuting. First, it is unclear how many additional employers will offer the benefit. Second, not everyone offered the benefit will take advantage of it. Third, proposals to tax the value of employer-provided parking in excess of \$145 to \$160 per month may not have a major impact because most parking subsidies fall below this taxable range. Over time, the effect could be more significant as the changes in the tax treatment of employer-provided transportation benefits begin to work in conjunction with other changes mandated at the federal, state, and local level to discourage driving to work alone. The recent attempt by Congress to discourage driving alone represents a major departure from earlier federal efforts. Although the societal benefits of relieving congestion, conserving energy, and reducing air pollution are important, limits exist on what can be achieved through changes in tax policy. If proposed changes to the tax treatment of transportation benefits are enacted, the Department of Transportation will need to monitor them to gauge their effectiveness.

before Congress determines whether more restrictive actions are desirable.

**Highway Trust Fund:  
Strategies for Safeguarding Highway Financing**

GAO/RCED-92-246, Sept. 15 (23 pages).

A \$5.9 billion revenue shortfall by fiscal year 1997 is projected for the fund that provides most of the financing for highways and mass transit, but the deficiency could be avoided by extending a portion of the federal gas tax that expires in 1995. To finance more than \$122 billion in federal aid for highway programs through fiscal year 1997, Congress extended federal highway excise taxes, such as those on gasoline and diesel fuel, through fiscal year 1999. Most of these taxes go to the Highway Trust Fund, the accounting mechanism used to record revenues and outlays. According to projections developed by the Federal Highway Administration, however, revenues through fiscal year 1999 will fall \$5.9 billion short of money to be paid out of the account. This shortfall is expected to trigger the Byrd Amendment in fiscal year 1995—a financial safeguard mandating a reduction in outlays in the face of revenue shortfalls—and to grow substantially during the remaining two years of the authorization period. Most of the projected shortfall is attributable to an expected decline in collections of highway excise taxes. Congress could resort to several strategies—which include implementing, modifying, or suspending the Byrd Amendment—to address the anticipated revenue shortfall. All of these options have advantages and disadvantages that Congress will need to weigh carefully in deciding how to deal with the shortfall.

**Air Traffic Control:  
Advanced Automation System Still Vulnerable to Cost and  
Schedule Problems**

GAO/RCED-92-264, Sept. 18 (16 pages).

During the past decade, substantial cost growth and schedule delays have beset the Federal Aviation Administration's (FAA) Advanced Automation System, a \$5-billion project to replace and enhance the work stations and computer systems used by air traffic controllers. FAA originally estimated in 1983 that the automation system would cost \$2.5 billion and be completed in 1996. Since then, completion costs have doubled and the schedule has slipped by six years because FAA underestimated the effort

required to develop and implement the system. The upshot is that air traffic controllers continue to use 20-year-old equipment, a situation that reduces the margin of safety in the air traffic control system. Delays in implementing the automation system have also deferred benefits for users of the air traffic control system, such as savings in fuel cost for airlines arising from better routing capabilities. Although FAA has taken positive steps to improve the automation system, such as developing a demonstration facility to gain an early assessment of controllers' and technicians' concerns, the project still remains vulnerable to further cost increases and schedule delays.

**Air Traffic Control:**

**FAA Needs to Justify Further Investment in Its Oceanic Display System**

GAO/TMTEC-92-80, Sept. 30 (41 pages).

The Federal Aviation Administration's (FAA) manually intensive process for controlling aircraft over U.S. oceanic airspace cannot keep pace with growing traffic volumes. As a first step in addressing this situation, FAA is acquiring the Oceanic Display and Planning System, which will give air traffic controllers a computer-generated display of oceanic air traffic and an automatic update and display of flight plans. The system, however, has a long history of problems, and more deficiencies continue to surface. Despite a \$49-million investment over 11 years, the system is still missing a key element—an operation conflict probe that can determine the impact of flight changes on aircraft separation. Delivering this crucial function will require extensive time and effort because the current software does not meet certain requirements and is poorly written. Further, FAA is not performing basic capacity management activities on the system, which increases the risk of shortfalls in processing air traffic. Although FAA claims that it will cost only about \$1.5 million more to complete the system, this estimate is highly suspect because it is not based on any formal estimating tools or techniques and does not include the money to correct known conflict probe problems. Further, FAA has no idea when the system will finally be completed. At this point, continued development of the system is not justified, and FAA may be wasting time and money by doing so.

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## Veterans Affairs

### **VA Health Care:**

#### **VA Did Not Investigate All Allegations by the Froelich Trust Group**

GAO/HRD-92-141, Sept. 4 (13 pages).

In an April 1991 letter to the Department of Veterans Affairs (VA), an anonymous group of veterans, known as the Froelich Trust Group, made a series of allegations about the Veterans Health Administration's (VHA) medical information resources management. Included were accusations that (1) software contained inaccurate patient records and (2) staff submitted fraudulent time and attendance reports and abused government funds. VHA's Medical Inspector did not thoroughly address the Froelich allegations about inaccurate medical data, including the effect of VA's software integration practices on the accuracy of its automated databases. The scope of the investigation into inaccurate medical data was too narrow. The review of software integration practices merely described VA's existing processes, and the Medical Inspector did not follow up on the large number of incomplete paper medical records identified during his review. VHA did substantiate several of the Froelich Group's claims, including allegations that the Decentralized Hospital Computer Program is slow and not user friendly and that its order entry/results reporting software does not follow physician logic. VA's Inspector General thoroughly investigated allegations about employee malfeasance, including a charge that the director of one center verbally abused employees. This allegation was substantiated when more than half of the staff said that they either had seen or had been subject to verbal abuse; the rest of the allegations could not be substantiated.



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